Success through inspired farm business management

Normal doesn't live here anymore. The only constant is change itself.

Those statements describe our world and they certainly describe agriculture. Some primary producers keep waiting for the big turnaround, the return to the "good old days". Analysts say that's unlikely.

A couple of other statements are also relevant. With change comes opportunity. And, attitude equals altitude. In other words, if you innovate and adjust to change, you can prosper in this business.

And yes, it is a business. Successful farmers don't just look at farming as a lifestyle or as something they do because there's sentimental value in the land. Increasingly it's the producers who have a plan for the future who are able to keep their operations financially strong.

Working hard and having good crops is no longer a guarantee that you can make money. Don Barclay, a professor with the Ivey School of Business in London, observes many common traits in the successful producers he sees at training courses.

"They have written business plans and a succession plan," notes Barclay. "They've given some thought to futures and commodities, they're looking to grow their business and they really understand their financial statements."

Like top business people everywhere, Barclay finds progressive producers are the ones constantly watching for new opportunities.

"What's happening in the world is the same thing that's occurring in agriculture – change is happening quickly. And it's becoming too complex to do everything on your own. You need to leverage partners who can help."

Jim Carroll,
Futurist and innovation expert

Marketing is vital

Those opportunities often lie in a solid marketing strategy. As this article is being prepared (early November), soybeans in Ontario were selling for $6.50 to $6.60 a bushel at the elevator level. That's in the lower third of their historical price range. Corn at elevators was even more depressed at a price of around $2.37 a bushel.

"On soybeans, there were opportunities to lock in prices of around $8.20 a bushel at the elevator in mid-July," notes Ranulf Glanville, a commodity market analyst with DePutter Publishing. At that time, extreme dryness was threatening crops all the way from Illinois to Ontario.

Glanville says that only a small number of growers were confident enough in their own crop, however, to do some business at these relatively attractive levels. It's hard to pull the trigger on sales until you have the product in the bin. It's also hard to price into a rising market when there's the hope for prices to go even higher. Keep in mind it doesn't have to be an all-or-none response. In this situation, growers who think strategically can contract a small percentage of their expected crop to help manage risk and optimize return.

Understanding futures and options and developing a marketing plan takes time and effort, but the marketing side of your business is just as important as the production side. The aim isn't to hit the top of the market. Instead, market analysts have long advised producers to know their costs of production so they can recognize profitable prices when they're available.

This is also important when evaluating the profitability of different crop varieties that are grown for specific end-use markets.

Leveraging partnerships

You don't need to grow different crops to have a multitude of options. As a grower, you're continually offered new innovations in seed, crop protection and equipment. That's because technologies in agriculture are constantly evolving.

"What's happening in the world is the same thing that's occurring in agriculture – change is happening quickly. And it's becoming too complex to do everything on your own. You need to leverage partners who can help," says Jim Carroll, a leading futurist who provides strategic counsel to business leaders around the world. "Good partners understand your needs and provide you the advice you need to reach your goals."

You may consider partnering with your family (see sidebars), landowners or end-use suppliers to name a few. Increasingly, this partnership philosophy is shared by many agribusinesses today, including Syngenta Crop Protection.

"Agriculture is our only business. Our work starts with production agriculture," says Jay Bradshaw, president of Syngenta Crop Protection Canada, "but we go beyond just manufacturing chemicals. We work closely with our customers to provide them with access to information and knowledge. Together, we can contribute to a strong and viable industry."

The key is managers who manage

"Do you work *on* your farm or do you work *for* your farm?" That's a question the Ivey School's Barclay says growers should ask themselves. As an operation gets larger and more complicated, it gets more difficult to be a jack-of-all-trades.

There are always a hundred tasks that need attention, everything from equipment repair to yard site maintenance. Some of us take more pleasure in these manual tasks than in marketing and long-term planning. But talking to the commodity broker and the accountant and attending training courses are the kinds of tasks that a farm manager can't delegate to someone else, says Barclay.

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Finding success in added value

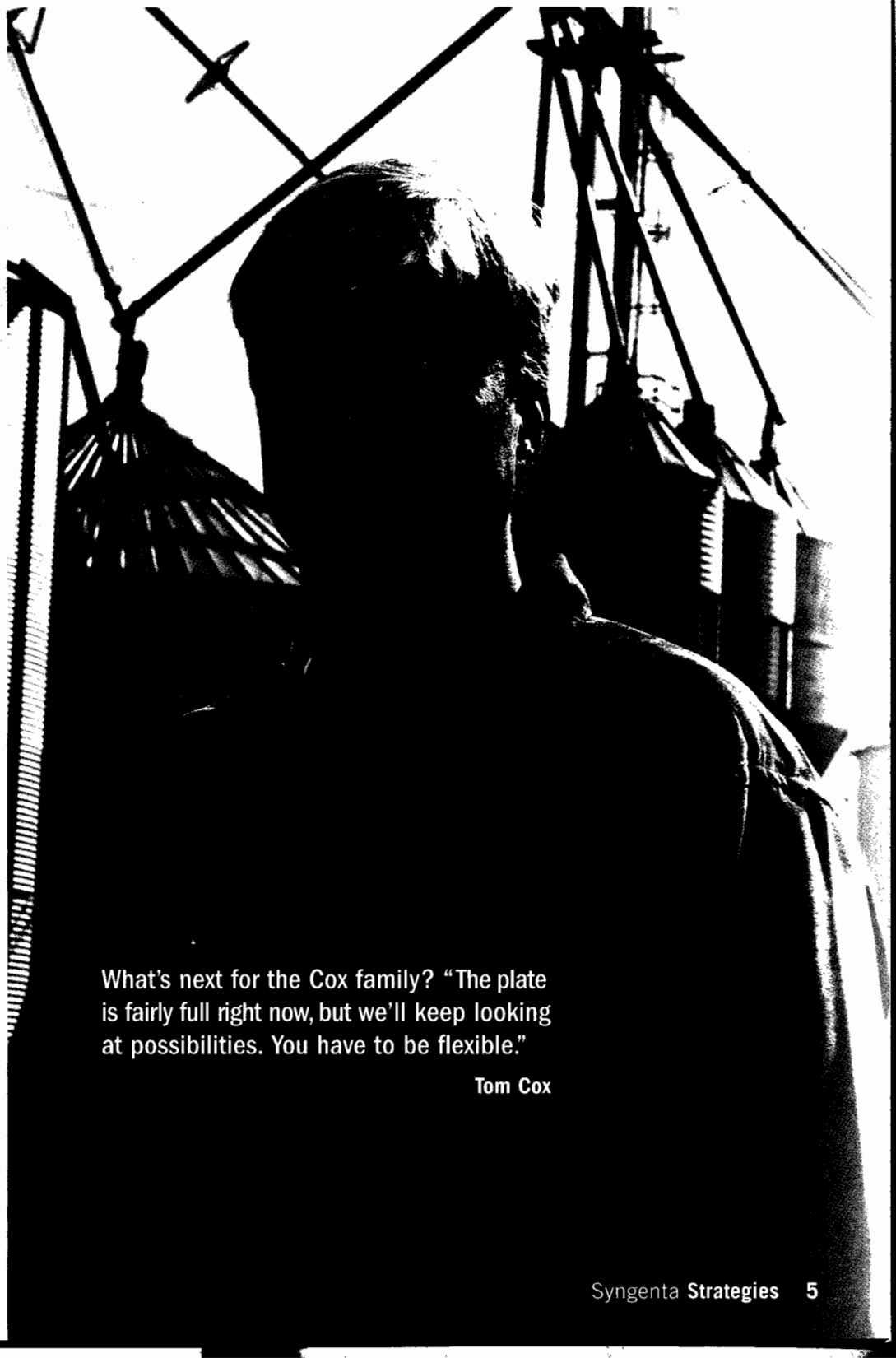
Adding value is the key to success at Cox Farms. "We started a grain elevator as a way to add value to the crop we produce," says Tom Cox of his family's business that includes father, Bill, and brother-in-law Alex Vajoczki. In addition to handling grain from Brant, Hamilton-Wentworth and Wellington counties, the partners grow corn, soybeans, wheat and hay, provide a variety of custom farm services, and manage a small herd of beef cattle.

More recently, they have become involved in the Integrated Grain Processors Cooperative (IGPC) – a fuel ethanol production facility based in Brantford. "We got into the ethanol plant to add more value and augment what we were making on the crop," says Tom who has been chair of IGPC since 2002.

"Success in farming is about having a reasonable return for our efforts. We take a lot of pride in the crops we grow and pride in the industry, too. We're continually doing things for our farm, but we're also trying to help the industry.

"Sometimes as farmers we tend to forget that we're producing something that is highly cyclical," says Tom. "The perspective that there will be good times ahead – that's hard to have in lean times like today, but you've got to do it. The growth in ethanol is going to be good for corn and there's biodiesel for oilseeds. There are lots of opportunities out there."

Tom Cox, Bill Cox & Alex Vajoczki
Cox Farms
Troy, Ontario



What's next for the Cox family? "The plate is fairly full right now, but we'll keep looking at possibilities. You have to be flexible."

Tom Cox

Most producers are still intricately involved in the day-to-day work. The most successful farm manager also gives priority to management and planning functions. The hours spent in planning, marketing and increasing your management skills will logically be the highest value hours for the farm.

"Times are changing. Producers must be willing to be less hands-on," advises Barclay. "That's what it means to work *for* your farm, rather than *on* it."

There can also be a transition when it comes to the management of human resources. As a farm takes on outside employees, a range of new management skills is required.

It isn't as simple as just hiring good people. New employees require training and they need a work environment that's motivating.

These are the same human resource challenges faced by other mid- and large-size business owners so fortunately there's lots of information and expertise to draw upon. (Online tools are available at www.FarmAssist.ca/HRforms)

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Professor Don Barclay

Turning realities into opportunities

Managing production costs also requires skilled management. You only have to look at increasing fuel and fertilizer costs to realize the challenges.

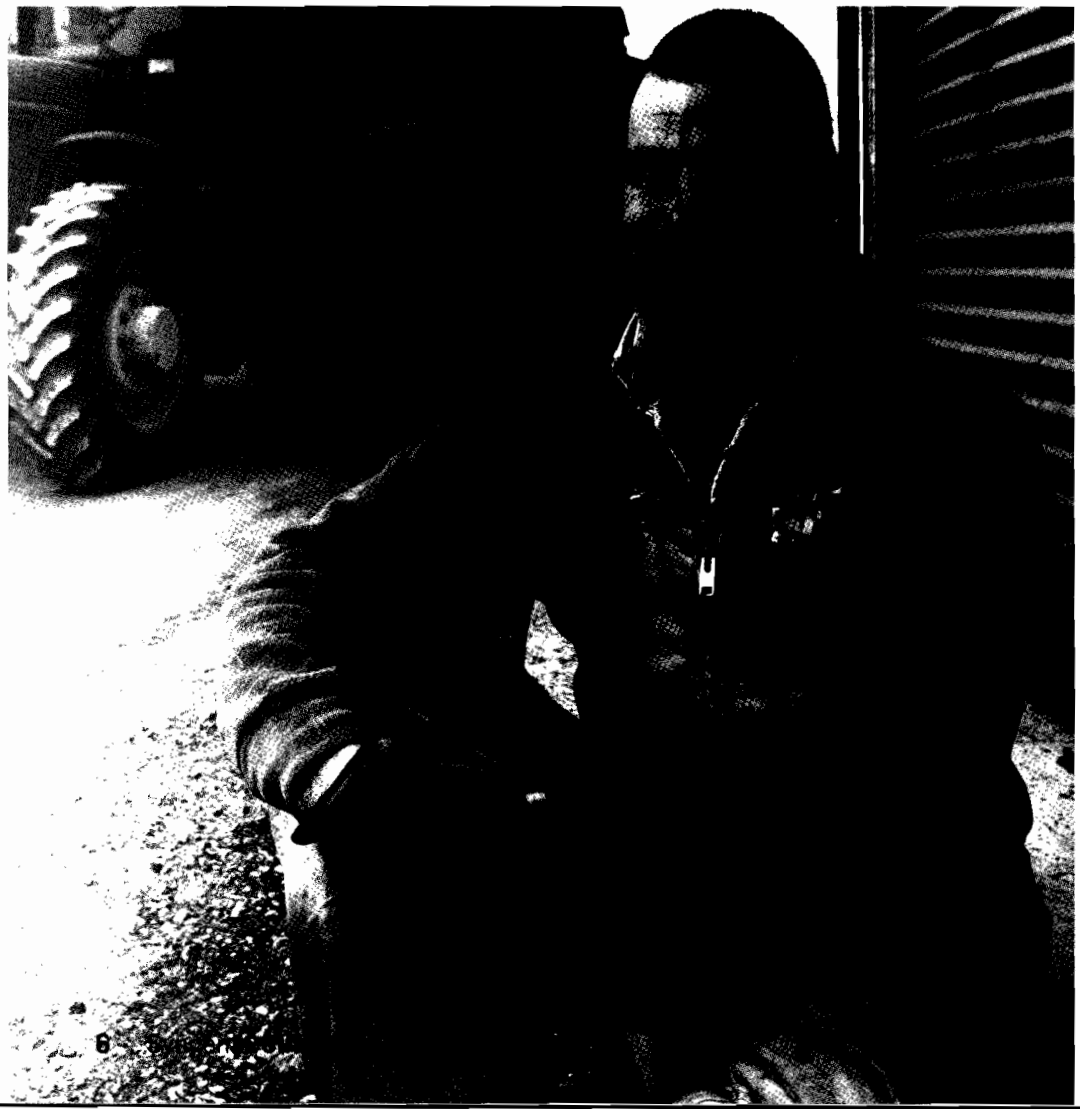
"Don't focus on cost-cutting and dreary downsides; turn realities into opportunities," says futurist Carroll. "Step outside and look at what's going on in the rest of the world and get excited about the potential."

"Whoever thought water was anything but a commodity?" asks business professor Barclay. While many people scoffed when they first saw bottled water being marketed, no one can argue at the growth in this market.

The same principles exist in food products. It's progressive producers who are exploring value-added opportunities such as roasted soybeans for snack foods, or the production of biodiesel and ethanol.

What directions do you want to take your farm operation? Which parts of your operation are the most profitable? What is the marketing plan? What about human resource issues? What is the optimum size for your farm? If expanding, should you rent land or buy? Does it make sense to invest outside of your farm?

Only you can answer these questions. But don't forget that other resources can help. You might not find the answers while working on the farm. You may need to step back, seek some inspiration from partners, do some research and do more work for the farm. ◻



Planning short- and long-term goals

What's the key to success for the DeBlock family? Their mission – "from till to mill" – says it all. It's about optimizing production.

"We started a commercial elevator because we wanted to market our own grain," says Randy DeBlock who works in partnership with his brother, Tim. The elevator has afforded the pair the opportunity to add value to the crops they grow. "Today we do grain roasting, too. We see it as a way to add value to our soybeans."

The DeBlock's thriving custom business plays a key role in generating the capital required for their operation. "We do everything from custom planting and spraying to harvest and trucking. We like to keep our line of machinery at a higher level and our custom work helps pay for it."

Planning is crucial at Bar-B-Dee Farms. "In the short term, we plan what crop we will grow next year.